

No. 15,189

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

AMERICAN CHEMICAL PAINT COMPANY, a corporation,
Plaintiff-Appellant,

vs.

THOMPSON CHEMICAL CORPORATION, a corporation,
Defendant-Appellee.

BRIEF ON BEHALF OF APPELLEE.

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TOPICAL INDEX

	PAGE
Statement of the case.....	1
Argument.....	3

I.

It is the proper exercise of the court's discretion to enjoin the prosecution of later filed actions relating to the same issues and involving the same parties.....	3
--	---

II.

The posting of security is not a prerequisite to the granting of a preliminary injunction against the filing or prosecuting of other actions upon the same issues.....	6
Conclusions	8

TABLE OF AUTHORITIES CITED

CASES	PAGE
Artvale, Inc. v. George Knitting Mills, Inc., 110 U. S. P. Q. 179	4
Bechik Products Inc. v. Flexible Products, Inc., 225 F. 2d 603, 106 U. S. P. Q. 340.....	4
Helene Curtis Industries, Inc. v. Sales Affiliates, Inc., 199 F. 2d 732, 95 U. S. P. Q. 172.....	4
International Nickel Co. v. Ford Motor, 108 Fed. Supp. 833, 95 U. S. P. Q. 356.....	5
Smith v. McIver, 22 U. S. (9 Wheat.) 532.....	3
The Crosley Corporation v. Hazeltine Corporation, 122 F. 2d 925, 51 U. S. P. Q. 1.....	3
Urbain v. Knapp Brothers Mfg. Co., 217 F. 2d 810, 20 Fed. Rules Serv. 52a.2, Case 1.....	6

STATUTE

Federal Rules of Civil Procedure, Rule 65(c).....	6
---	---

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Statement of the Case.

Defendant-appellee wishes to supplement the plaintiff-appellant's statement of the case by the following:

1. The present case was the first filed case [R. 34].
2. Each of the cases comprises an action based upon the alleged infringement of United States Letters Patent 2,258,292 [R. 4, 18, 19, 22].
3. The party plaintiff and the defendant Thompson Chemicals Corporation are parties to all of the actions [R. 34].
4. The defendant Thompson Chemicals Corporation admits it is the manufacturer of the product ANA-Amide sold by the defendants Yakima Farmers Supply Co. and H. R. Spinner Company named in the other cases, and admits its primary responsibility for any actual infringement [R. 16].

5. The order complained of which enjoined the plaintiff from prosecuting the later filed actions, or from filing other actions, expressly gave to the plaintiff the clearcut opportunity to have the injunction dissolved upon presenting evidence to support its contention that the defendant is financially unable to make the plaintiff whole for any damage resulting from the injunction [R. 36].
6. The order complained of also gave to the plaintiff the right to request permission to file additional actions upon notice [R. 35].
7. The actual fact is that the primary purpose of the plaintiff in prosecuting a multiplicity of identical infringement actions based upon an alleged infringement of patent, which to date is little more than experimental, is primarily to harass this defendant and put it to unnecessary expense [R. 16].

ARGUMENT.

I.

It Is the Proper Exercise of the Court's Discretion to Enjoin the Prosecution of Later Filed Actions Relating to the Same Issues and Involving the Same Parties.

The District Court in the exercise of its discretion enjoined the plaintiff from the further prosecution of the two later filed Washington actions involving questions of patent infringement and patent validity identical to the present case, and in which the present defendant was a party. This was clearly a proper exercise of the Court's discretion and is supported by a long line of decisions including the decision of the Third Circuit Court of Appeals, *The Crosley Corporation v. Hazeltine Corporation* (C. C. A. 3, 1941), 122 F. 2d 925, 51 U. S. P. Q. 1.

In *The Crosley v. Hazeltine* action, the Court, after citing Chief Justice Marshall in *Smith v. McIver*, 22 U. S. (9 Wheat. 532, 535) to the effect:

“In all cases of concurrent jurisdiction, the court which first has possession of the subject must decide it.”

went on to justify its ruling in the following words:

“The economic waste involved in duplicating litigation is obvious. Equally important is its adverse effect upon the prompt and efficient administration of justice. In view of the constant increase in judicial business in the federal courts and the continual necessity of adding to the number of judges, at the expense of the taxpayers, public policy requires us

to seek actively to avoid the waste of judicial time and energy. Courts already heavily burdened with litigation with which they must of necessity deal should therefore not be called upon to duplicate each other's work in cases involving the same issues and the same parties."

The appellant makes no serious responsible contention that the Court does not have the right in its discretion to grant the injunction, at least the decisions which it cites are not persuasive.

The contention that there is a separate cause of action against the manufacturer and against the seller requires little discussion. However, as was stated by the Court of Appeals of the Second Circuit in the *Bechik Products* case upon which the plaintiff relies:

" . . . any damages which the plaintiff would thus be precluded from recovering from other contributory infringers in future actions are recoverable from the defendant manufacturer in this action. . . ."

Bechik Products Inc. v. Flexible Products, Inc.,
(C. C. A. 2, 1955), 225 F. 2d 603, 106 U. S.
P. Q. 340.

The case *Helene Curtis Industries, Inc. v. Sales Affiliates, Inc.* (C. C. A. 2, 1952), 199 F. 2d 732, 95 U. S. P. Q. 172, cited by the plaintiff is really in point for the defendant. The lower court enjoined the prosecution of a multiplicity of actions and the Court of Appeals affirmed.

In the *Artvale, Inc. v. George Knitting Mills, Inc.* decision relied upon by the appellant and found at 110

U. S. P. Q. 179 (D. C. E. D. N. Y.), decided July 5, 1956, actually there was an application for a stay of the trial in the case in which the motion was filed. Additionally, it appears that in one of the actions there was an unfair competition count involved whereas in the other action there was only patent infringement.

In *International Nickel Co. v. Ford Motor Co.* case, (D. C. S. D. N. Y., 1952), 108 Fed. Supp. 833, 95 U. S. P. Q. 356, again the appellant relies upon a case which really does not support its position and which is readily distinguished. In that case there were different parties in the two actions and different subject matter. International Nickel had sued Ford in the action before the Court, whereas in the other suit the defendant was Martin J. Barry, Inc. Furthermore, the subject matter was different, for Lincoln automobile parts were involved in one action and Ford automobiles parts in the other. The Court, however, based its decision upon the grounds that different parties were involved.

The decisions relied upon by the appellant in its argument under its Point I clearly do not support the contention that the patentee has an inalienable right to maintain a multiplicity of actions or that it does not lie within the proper discretion of the Court to enjoin later-filed actions relating to the same issues, and particularly where the same parties are involved.

II.

The Posting of Security Is Not a Prerequisite to the Granting of a Preliminary Injunction Against the Filing or Prosecuting of Other Actions Upon the Same Issues.

The basis for the contention that the giving of security is a prerequisite and condition precedent to the issuance of the injunction is premised upon F. R. C. P. 65(c) which reads in part as follows:

“(c) Security. No restraining order or preliminary injunction shall issue except upon the giving of security by the applicant, in such sum as the court deems proper, for the payment of such costs and damages as may be incurred or suffered by any party who is found to have been wrongfully enjoined or restrained.”

The Court of Appeals of the Seventh Circuit in *Urbain v. Knapp Brothers Mfg. Co.* (1954), 217 F. 2d 810, 20 Fed. Rules Serv. 52a.2, Case 1 said:

“... we are of opinion that the failure of the District Court to require the prescribed security before issuing the restraining order is not reversible error. The rule leaves it to the the District Judge to order *the giving of security in such sum as the Court considers proper*. This would indicate plainly that the matter of requiring security in each case rests in the discretion of the District Judge. Moreover, in the circumstances encountered here, it would appear that no material damage will ensue to appellants from the failure of the District Judge to require bond of appellees.” (Emphasis added.)

In that case the suit was based upon alleged patent infringement and appellants appealed from an injunction restraining them from proceeding with another action.

In the present case the Judge did grant the injunction without requiring security but the rights of the appellant were protected in a manner which made this appeal entirely unnecessary in that:

1. The order expressly provided that should the plaintiff-appellant desire to file any additional actions it should "have the right upon notice to appear before this Court to request permission to file any specific action"; and
2. That "plaintiff shall have the right to present evidence to support its contention that the defendant Thompson Chemicals Corporation is financially unable to make the plaintiff whole for any damage resulting from this injunction and shall be entitled to an *inter partes* hearing with respect thereto, and if after *inter partes* consideration this Court shall order that security be given to protect the plaintiff, then and in that event this injunction shall be dissolved unless within fifteen days following the order of this Court said defendant shall provide the necessary security approved by the Court or by the Clerk of the Court."

If this appellant felt that it was in any real danger, its remedy was made clear by the order itself and it had only to provide evidence showing the necessity for the bond and the court would so have ruled.

Had the appellant desired to file additional cases, its remedy also was made clear by the order, and had it been able to show that additional cases were necessary in order to protect its interests the opportunity to be heard upon the matter was expressly provided.

To insist that the District Court is bound to require the defendant-appellee to put up a bond to protect the plaintiff in view of the safeguards which the order gave to it is to deprive the Court of that discretion which clearly belongs to it under the law.

Conclusions.

The District Court in the proper exercise of its discretion granted the order enjoining the plaintiff from prosecuting its actions in the District Courts in Washington gave the plaintiff-appellant the opportunity, if it really believed a bond was necessary, to demand a bond upon presenting the basis for that belief.

The District Court also properly exercised its discretion in enjoining the plaintiff-appellant from the filing of further actions relating to the same issues and against other customers (contributory infringers) of this defendant-appellee in that the plaintiff-appellant's rights were protected by the provision of the order that if plaintiff-appellant believed it should file additional actions it had the right to be heard.

It is respectfully contended that the order was properly issued by the District Court and that this appeal should be dismissed with prejudice, costs, and attorneys fees to the appellee.

Respectfully submitted,

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